

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Lawrence</b>	County <b>Van Buren</b>
Audit Date <b>February 28, 2005</b>	Opinion Date <b>April 27, 2005</b>	Date Accountant Report Submitted to State: <b>August 30, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Seber Tans, PLLC</b>			
Street Address <b>555 W. Crossdown Parkway Ste. 304</b>		City <b>Kalamazoo</b>	State <b>MI</b>
Accountant Signature <b>Brian Kurl</b>		ZIP <b>49008</b>	Date <b>8/30/05</b>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended February 28, 2005**



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# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Lawrence, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of Village of Lawrence, Michigan (the Village) as of and for the year ended February 28, 2005, which collectively comprises the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of Village of Lawrence, Michigan as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of March 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 30-35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

SEBER TANS, PLC

Seber Tans, PLC  
Kalamazoo, Michigan

April 27, 2005





Village of Lawrence  
157 N. Paw Paw  
P.O. Box 217  
Lawrence Michigan 49064

## **Management's Discussion and Analysis**

### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the Village as a whole as well as providing a view of the village's longer-term finances.

Fund financial statements show how services were financed in the short term and also show what remains for future spending.

The Management's Discussion and Analysis is a requirement of GASB 34, and is intended to be the Village's analysis of the financial results for the fiscal year ended February 28, 2005. Because this is our Village's first financial report presented in the format required by Governmental Accounting Standards Board (GASB) Statement No. 34, certain comparative information ordinarily required is not available. Subsequent reports will include a prior year comparison of results.

### **The Village as a Whole**

The Village's combined net assets showed a slight improvement during the 2004/2005 fiscal year. Factors contributing towards this slight improvement are found generally within the governmental activities of the Village. The table below shows a summary of the net assets at February 28, 2005.

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
Total Assets	\$ 847,633	\$ 3,783,263	\$ 4,630,896
Liabilities	49,758	1,268,325	1,318,083
Net Assets	<u>\$ 797,875</u>	<u>\$ 2,514,938</u>	<u>\$ 3,312,813</u>

### **The Village's Funds**

There are five funds the village's financial system is required to be divided into to allow for specific purposes and accountability of expenses incurred throughout the year. These funds are; General Fund, Water Fund, Sewer Fund, Major Street Fund, Local Street Fund.

The General Fund pays for the majority of operating expenses that the village incurs including; administration, local police department operations, general labor for areas of general fund activity including maintenance of the parks, building maintenance, DPW equipment purchase and maintenance, sidewalk maintenance, refuse disposal, office equipment purchase and maintenance, holiday decorations, elections, zoning administration, etc.

The General Fund also pays for other fund balances that may have fallen short for various reasons.

The Water Fund pays for both minor and major repairs of the village's water system as well as general maintenance of the system including administration, labor costs, spare parts inventory, electrical usage by the well pumps, security for the



system, chemicals used in the treatment process, laboratory costs associated with DEQ requirements, etc. The Water Fund pays the General Fund for equipment used through a rental based program to help pay for required equipment originally purchased using funds from the General Fund.

The Sewer Fund pays for both minor and major repairs of the village's sewer system as well as general maintenance of the system including labor costs, spare parts inventory, electrical usage by the four lift stations, security for the system, chemicals used in the system, laboratory costs of discharging wastewater associated with DEQ requirements, etc. The Sewer Fund also pays the General Fund for equipment used based on a rental program to help pay for required equipment originally purchased using funds from the General Fund. The Sewer Fund is also required to pay back the Van Buren County Revolving Loan Fund for a low interest loan acquired to construct the waste water lagoon system currently in use.

The Major Street Fund pays for minor and major repairs of all streets classified as part of the Major Street System including storm drainage systems, administration, tree trimming and planting programs, etc. The Village receives funds from the State of Michigan through the Act-51 funding system which is calculated by the state on a footage basis. These funds are received on a quarterly basis. The Major Street Fund also pays the General Fund for equipment used based on a rental program to help pay for required equipment originally purchased using funds from the General Fund.

The Local Street Fund pays for minor and major repairs of all streets classified as part of the Local Street System including storm drainage systems, administration, tree trimming and planting programs, etc. The Village receives funds from the State of Michigan through the Act-51 funding system which is calculated by the state on a footage basis. These funds are received on a quarterly basis. The Local Street Fund also pays the General Fund for equipment used based on a rental program to help pay for required equipment originally purchased using funds from the General Fund.

#### Governmental Activities

A conservative estimate of budget revenues was made in light of such possible cutbacks in State Revenue Sharing and Act-51 funds as well as continued lower interest rates earned on fund balances. Actual revenues were approximately 6% higher than originally budgeted at the beginning of FY 2004/2005. Throughout the year additional expenditures were approved which still allowed keeping the budgets in balance.

- a) Anticipated transfers totaling \$28,000 to the Street Funds were not needed and stayed within the General Fund.
- b) Indebtedness for previous DPW equipment purchases were paid off in FY 2004/2005.
- c) The repaving of Paw Paw Street was accomplished at a significant savings to the Major Street Fund enabling the Village to enter FY 2005/2006 without requiring a transfer of funds from the General Fund. This savings allowed the Village to retain suitable fund equity with which to start the FY 2005/2006.
- d) The entire amount of tax capture by the LDFA, approximately \$10,000, was returned to the Village by direction of the LDFA to repay the Village's cost to build the Industrial Park Infrastructure.
- e) Revenue from the sale of the Department of Public Works storage building gained in FY 2003/2004 the Village purchased a suitable replacement building during FY 2004/2005. This action yielded a profit to the Village of greater than \$60,000.

#### Business-Type Activities

The Village's business-type activity consists of the Water and Sewer Funds. We provide water and wastewater services to 100% of the village residents (approximately 400 customers). We also provide water and sewer services to a few residents living outside the village limits which are considered Lawrence Township residents. The customers living in the Township receiving services pay a rate of 1.5 times the rate of a village resident. The Van Buren Intermediate School System, located within the village limits, is currently the largest user of the two systems. A major upgrade of the Village's water system was completed in 2003 to replace small, inadequate water mains through the heart of the village as well as Bangor road. This upgrade was financed using a low interest loan acquired from the United States Department of



Agriculture and the water rates were increased at that time to insure repayment of the loan. The Water & Sanitary Sewer Systems showed a slight deterioration of their financial positions.

- a) Revenues from the sale of water and sanitary sewer were less than initially budgeted but within 5% of the anticipated amount. This can be attributed to residents and business's conserving water to save money on their water and sanitary sewer bills.
- b) Positive Fund Balances in both Water and Sanitary Sewer Funds were achieved by delaying proposed major repairs to future fiscal year budgets. Approximately \$12,000 of improvements were delayed which are not considered detrimental to the continued operation of the respective utility systems.

#### Restrictions on Funds

No restrictions on funds have been imposed by the Village, any restrictions or other limitations come at the direction of the State and Federal Governments. There were no projects involving grant funds that remained to be closed out at the end of FY 2004/2005. The United States Department of Agriculture (USDA) Loan to the water fund was not closed out as of the end of FY 2004/2005.

#### Significant Budget Variances

Variances between the original budget and final budget greater than \$10,000 FY 2004/2005 included:

- a) Amendments to the General Fund regarding the office clerk's salary and contracted services were meant to bring the budget amounts in line with stated actual costs. A reconciliation among the funds of the village will more accurately distribute these costs. This process will be completed after the close of the FY 2004/2005 budget and audit reporting.
- b) Anticipated transfers of operating funds from the General Fund to the Street Funds were not needed.
- c) The Major Street Fund was amended to reflect the savings realized with the Paw Paw Street paving project, as well as to reflect the accounting practice of the Office Clerk salary when spreading the accounts payable expenditures.
- d) The amended Police budget reflects the accounting practice of the Office Clerk in spreading the accounts payable. Additional costs of nearly \$9,500 above the approved annual contract for Police protection with the Van Buren County Sheriff's Department was approved by the Village Council.

These factors are not expected to have an impact on future service or liquidity.

#### Significant Assets or Long-Term Debt

During FY 2004/2005, the paving project of Paw Paw Street, at an approximate cost of \$161,500, and the purchase of a building to house part of the Department of Public Works, at an approximate cost of less than \$60,000, were the only significant capital asset activities by the Village.

Long-Term debt activity remains with the water & sanitary sewer systems, with terms of 18 and 38 years remaining for repayment of the loans.

As of July 2005, there is one commitment for capital expenditures by the water fund. This is for a new well at an estimated total cost of \$200,000. \$160,000 will be funded with a Michigan Economic Development Grant with a local match requirement of \$40,000 to come from the water fund. Additional capital asset projects remain uncommitted by the Village.



The Village does anticipate incurring preliminary costs for replacement of the Brush Creek Bridge in 2005. The bridge replacement itself will be scheduled for summer of 2006. The total estimated cost for the bridge replacement is approximately \$528,000, \$380,000 will be funded by the Michigan Department of Transportation, the remaining \$148,000 will have to be funded by the Village's Street Funds although we have currently applied for an \$118,000 grant through the Michigan Economic Development Corporation and if awarded the grant the Village's portion would be reduced to \$30,000.

#### Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional information, we encourage you to contact the Village Hall at 269-674-8161 or visit the Village Hall Office at P.O. Box 217, 157 N. Paw Paw Street, Lawrence, Michigan 49064



**VILLAGE OF LAWRENCE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**February 28, 2005**

	Primary Government			
	Governmental Activities	Business- Type Activities	Total	Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 427,151	\$ 488,878	\$ 916,029	\$ 10,086
Investments	---	215,318	215,318	---
Accounts receivable	2,908	67,649	70,557	---
Taxes receivable	26,129	---	26,129	---
Internal balances	56,801	(56,801)	---	---
Inventory	---	40,240	40,240	---
Due from primary government	---	---	---	16,973
Capital assets - net	334,644	3,027,979	3,362,623	125,000
<b>TOTAL ASSETS</b>	<b>\$ 847,633</b>	<b>\$ 3,783,263</b>	<b>\$ 4,630,896</b>	<b>\$ 152,059</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 27,899	\$ ---	\$ 27,899	\$ ---
Customer deposits	---	6,325	6,325	---
Due to component units	16,973	---	16,973	---
Noncurrent liabilities	---	---	---	---
Due within one year	---	23,000	23,000	---
Due in more than one year	4,886	1,239,000	1,243,886	---
<b>TOTAL LIABILITIES</b>	<b>49,758</b>	<b>1,268,325</b>	<b>1,318,083</b>	<b>---</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	334,644	1,765,979	2,100,623	125,000
Restricted for:				
Streets	111,985	---	111,985	---
Unreserved	351,246	748,959	1,100,205	27,059
<b>TOTAL NET ASSETS</b>	<b>797,875</b>	<b>2,514,938</b>	<b>3,312,813</b>	<b>152,059</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 847,633</b>	<b>\$ 3,783,263</b>	<b>\$ 4,630,896</b>	<b>\$ 152,059</b>

*See Notes to Financial Statement*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
February 28, 2005

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Governmental Activities	Business-Type Activities	Totals	Component Units
<b>Primary government</b>						
Governmental activities:						
General government	\$ (62,510)	\$ 6,440	\$ (56,070)	\$ ---	\$ (56,070)	\$ ---
Public safety	(146,694)	287	(146,407)	---	(146,407)	---
Public works	(166,901)	4,369	(162,532)	---	(162,532)	---
Interest	(60)	---	(60)	---	(60)	---
Depreciation (unallocated)	(27,807)	---	(27,807)	---	(27,807)	---
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(403,972)</b>	<b>11,096</b>	<b>(392,876)</b>	<b>---</b>	<b>(392,876)</b>	<b>---</b>
<b>Business-type activities</b>						
Water	(225,305)	184,345	---	(40,960)	(40,960)	---
Sewer	(161,976)	154,898	---	(7,078)	(7,078)	---
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>(387,281)</b>	<b>339,243</b>	<b>---</b>	<b>(48,038)</b>	<b>(48,038)</b>	<b>---</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>(791,253)</b>	<b>350,339</b>	<b>(392,876)</b>	<b>(48,038)</b>	<b>(440,914)</b>	<b>\$ ---</b>
<b>Component Units</b>						
Downtown Development Authority	\$ (5,494)	\$ 1,408	\$ ---	\$ ---	\$ ---	\$ (4,086)
Local Development Finance Authority	---	---	---	---	---	---
<b>TOTAL COMPONENT UNITS</b>	<b>(5,494)</b>	<b>1,408</b>	<b>\$ ---</b>	<b>---</b>	<b>---</b>	<b>\$ (4,086)</b>
<b>GENERAL REVENUES:</b>						
Property taxes		\$ 182,703	\$ 182,703	\$ ---	\$ 182,703	\$ 15,995
State shared revenue		225,700	225,700	---	225,700	---
Interest and investment income		3,238	3,238	6,620	9,858	3
Miscellaneous		39,218	39,218	24,039	63,257	---
<b>TOTAL GENERAL REVENUES</b>		<b>450,859</b>	<b>450,859</b>	<b>30,659</b>	<b>481,518</b>	<b>15,998</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>						
			57,983	(17,379)	40,604	11,912
Net assets at beginning of year			739,892	2,532,317	3,272,209	140,147
<b>NET ASSETS AT END OF YEAR</b>			<b>\$ 797,875</b>	<b>\$ 2,514,938</b>	<b>\$ 3,312,813</b>	<b>\$ 152,059</b>

See Notes to Financial Statement



**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS AND THE**  
**RECONCILIATION TO THE STATEMENT OF NET ASSETS**  
**February 28, 2005**

	General	Major Street	Local Street	Total Govern- Mental
<b>ASSETS</b>				
Cash and cash equivalents	\$ 317,685	\$ 65,119	\$ 44,347	\$ 427,151
Accounts receivable	2,908	---	---	2,908
Due from other funds	66,495	---	---	66,495
Due from component units	2,224	---	---	2,224
<b>TOTAL ASSETS</b>	<b>\$ 389,312</b>	<b>\$ 65,119</b>	<b>\$ 44,347</b>	<b>\$ 498,778</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 27,899	\$ ---	\$ ---	\$ 27,899
Due to other funds	6,726	585	2,383	9,694
Due to component units	19,197	---	---	19,197
<b>TOTAL LIABILITIES</b>	<b>53,822</b>	<b>585</b>	<b>2,383</b>	<b>56,790</b>
<b>FUND BALANCES</b>				
Reserved for street services	---	64,534	41,964	106,498
Unreserved	335,490	---	---	335,490
<b>TOTAL FUND BALANCES</b>	<b>335,490</b>	<b>64,534</b>	<b>41,964</b>	<b>441,988</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 389,312</b>	<b>\$ 65,119</b>	<b>\$ 44,347</b>	<b>\$ 498,778</b>

**Reconciliation of the Combined Balance Sheet – Governmental Funds to the Statement of  
Net Assets:**

Total governmental fund balances	\$ 441,988
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:	
The cost of the capital assets is	716,597
Accumulated depreciation is	(381,953)
	334,644
Other assets are not available to pay for current year expenditures and therefore are deferred in the funds and recognized as revenue in the statement of activities	26,129
Long term liabilities that are not due and payable in the current period and are not reported in the funds:	(4,886)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 797,875</b>

*See Notes to Financial Statements*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended February 28, 2005**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Govern- Mental</u>
<b>REVENUES</b>				
Property taxes	\$ 123,655	\$ 36,412	\$ 18,217	\$ 178,284
Licenses and permits	748	---	---	748
Intergovernmental revenues	126,745	78,290	20,665	225,700
Charges for service	11,096	---	---	11,096
Interest	1,589	1,318	331	3,238
Miscellaneous	70,197	---	---	70,197
<b>TOTAL REVENUES</b>	<u>334,030</u>	<u>116,020</u>	<u>39,213</u>	<u>489,263</u>
<b>EXPENDITURES</b>				
Current				
General government	65,536	---	---	65,536
Public safety	146,694	---	---	146,694
Public works	104,814	67,483	26,166	198,463
Capital outlay	54,405	91,287	---	145,692
Debt service	2,171	---	---	2,171
<b>TOTAL EXPENDITURES</b>	<u>373,620</u>	<u>158,770</u>	<u>26,166</u>	<u>558,556</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(39,590)</b>	<b>(42,750)</b>	<b>13,047</b>	<b>(69,293)</b>
Fund balances at beginning of year	<u>375,080</u>	<u>107,284</u>	<u>28,917</u>	<u>511,281</u>
<b>FUND BALANCES AT END OF YEAR</b>	<b><u>\$ 335,490</u></b>	<b><u>\$ 64,534</u></b>	<b><u>\$ 41,964</u></b>	<b><u>\$ 441,988</u></b>

*See Notes to Financial Statements*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended February 28, 2005**

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Net change in fund balance – total governmental funds		\$ (69,293)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	(27,807)	
Capital outlay	<u>145,692</u>	117,885
Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt payable)		2,111
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in accumulated sick pay		2,861
Assets are not available to pay for current period expenditures and therefore are deferred in the funds and recognized as revenue in the statement of activities:		
Change in property taxes receivable		<u>4,419</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 57,983</u></b>

*See Notes to Financial Statements*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
**February 28, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 378,455	\$ 110,423	\$ 488,878
Investments	215,318	---	215,318
Accounts receivable	35,780	31,869	67,649
Due from other funds	6,726	203,191	209,917
Inventory	24,026	16,214	40,240
<b>TOTAL CURRENT ASSETS</b>	<u>660,305</u>	<u>361,697</u>	<u>1,022,002</u>
<b>PROPERTY AND EQUIPMENT</b>			
Water system	2,462,421	---	2,462,421
Sewer system	---	2,250,335	2,250,335
	<u>2,462,421</u>	<u>2,250,335</u>	<u>4,712,756</u>
Less accumulated depreciation	(691,701)	(993,076)	(1,684,777)
<b>NET PROPERTY AND EQUIPMENT</b>	<u>1,770,720</u>	<u>1,257,259</u>	<u>3,027,979</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 2,431,025</b></u>	<u><b>\$ 1,618,956</b></u>	<u><b>\$ 4,049,981</b></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Customer deposits	\$ 6,325	\$ ---	\$ 6,325
Due to other funds	203,191	63,527	266,718
Current maturities of general obligation bonds payable	<u>8,000</u>	<u>15,000</u>	<u>23,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>217,516</u>	<u>78,527</u>	<u>296,043</u>
<b>GENERAL OBLIGATION BONDS PAYABLE, net of current maturities</b>	974,000	265,000	1,239,000
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	788,720	977,259	1,765,979
Unrestricted	<u>450,789</u>	<u>298,170</u>	<u>748,959</u>
<b>TOTAL NET ASSETS</b>	<u>1,239,509</u>	<u>1,275,429</u>	<u>2,514,938</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 2,431,025</b></u>	<u><b>\$ 1,618,956</b></u>	<u><b>\$ 4,049,981</b></u>

*See Notes to Financial Statements*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET**  
**ASSETS – PROPRIETARY FUNDS**  
**For the Year Ended February 28, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 177,979	\$ 152,392	\$ 330,371
Late charges	4,060	---	4,060
Miscellaneous	8,581	6,014	14,595
Connection charges	1,200	1,800	3,000
Equipment rental	9,444	---	9,444
Other labor sales	1,106	706	1,812
<b>TOTAL OPERATING REVENUES</b>	<u>202,370</u>	<u>160,912</u>	<u>363,282</u>
<b>OPERATING EXPENSES</b>			
Contracted services	46,765	53,548	100,313
Depreciation	86,106	50,970	137,076
Equipment rental	13,797	17,724	31,521
Engineering	4,400	1,568	5,968
Repairs and maintenance	5,319	7,169	12,488
Utilities	6,160	6,213	12,373
Operating labor costs	6,704	5,625	12,329
Legal and accounting	2,837	2,725	5,562
Supplies	1,447	665	2,112
Miscellaneous	4,609	1,019	5,628
Insurance	377	---	377
<b>TOTAL OPERATING EXPENSES</b>	<u>178,521</u>	<u>147,226</u>	<u>325,747</u>
<b>OPERATING INCOME</b>	23,849	13,686	37,535
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest income	5,697	923	6,620
Interest expense	(46,784)	(14,750)	(61,534)
<b>NET NON-OPERATING EXPENSE</b>	<u>(41,087)</u>	<u>(13,827)</u>	<u>(54,914)</u>
<b>DECREASE IN NET ASSETS</b>	(17,238)	(141)	(17,379)
Net assets at beginning of year	<u>1,256,747</u>	<u>1,275,570</u>	<u>2,532,317</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 1,239,509</b></u>	<u><b>\$ 1,275,429</b></u>	<u><b>\$ 2,514,938</b></u>

*See Notes to Financial Statements*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**For the Year Ended February 28, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from:			
Receipts from customers	\$ 193,360	\$ 161,026	\$ 354,386
Customer security deposits	225	---	225
Total cash received	<u>193,585</u>	<u>161,026</u>	<u>354,611</u>
Cash paid for:			
Contracted services	(46,765)	(53,548)	(100,313)
Engineering	(4,400)	(1,568)	(5,968)
Repairs and maintenance	(5,319)	(7,169)	(12,488)
Utilities	(6,160)	(6,213)	(12,373)
Legal and accounting	(2,837)	(2,725)	(5,562)
Supplies	(6,013)	(2,224)	(8,237)
Miscellaneous	(4,609)	(1,019)	(5,628)
Insurance	(377)	---	(377)
Internal Payments to other funds	(17,783)	(18,434)	(36,217)
Total cash paid	<u>(94,263)</u>	<u>(92,900)</u>	<u>(187,163)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>99,322</u>	<u>68,126</u>	<u>167,448</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(10,075)	---	(10,075)
Interest paid on bond	(46,784)	(14,750)	(61,534)
Proceeds from bond	12,000	---	12,000
Principal payments on bond	<u>(8,000)</u>	<u>(15,000)</u>	<u>(23,000)</u>
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(52,859)</u>	<u>(29,750)</u>	<u>(82,609)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	5,697	923	6,620
Interest reinvestment	<u>(2,528)</u>	<u>---</u>	<u>(2,528)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>3,169</u>	<u>923</u>	<u>4,092</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>49,632</u>	<u>39,299</u>	<u>88,931</u>
Cash and cash equivalents at beginning of year	<u>328,823</u>	<u>71,124</u>	<u>399,947</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 378,455</u></u>	<u><u>\$ 110,423</u></u>	<u><u>\$ 488,878</u></u>

*See Notes to Financial Statements*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS –**  
**PROPRIETARY FUNDS (CONTINUED)**  
**For the Year Ended February 28, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 23,849	\$ 13,686	\$ 37,535
Adjustments to reconcile operating income to cash used in operating activities:			
Depreciation	86,106	50,970	137,076
Decrease (increase) in:			
Accounts receivable	434	114	548
Inventory	(4,566)	(1,559)	(6,125)
Other assets	139,043	145,769	284,812
Increase (decrease) in:			
Other payables	(145,769)	(140,854)	(286,623)
Customer deposits	225	---	225
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 99,322</u></u>	<u><u>\$ 68,126</u></u>	<u><u>\$ 167,448</u></u>

*See Notes to Financial Statements*



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE A – Summary of Significant Accounting Policies**

The accounting policies of the Village of Lawrence, Michigan (the Village) are in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

Reporting Entity

The Village was incorporated as a general law village under act of Legislature approved March 24, 1869, and operates under a Council-President form of government. The Village provides highways and streets, water and sewer, parks and recreation, public improvement, planning and zoning, and general administrative services. Fire protection and quick response services are provided through contract with the Township of Lawrence. Effective November 2002 police protection is provided through contract from the Sheriff of Van Buren County. The financial statements of the Village do not reflect the activity of the fire department or quick response service. Educational services are provided through the local school district, which is a separate entity.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Village and its component units. In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

The individual component units discussed below are included in the Village's reporting entity because of their financial relationship with the Village.

Discretely Presented Component Units

The following component units are reported within the "component units" column in the combined financial statements. The discretely presented component units are entities that are legally separate from the Village, but for which the Village is financially accountable.

*Downtown Development Authority (DDA)*

The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of eight members, is selected by the Village Council. In addition, the DDA's budget is subject to approval by the Village Council. The complete financial statements of the DDA are included within the Village's general purpose financial statements.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Local Development Finance Authority (LDFA)*

The LDFA was created to encourage local development, prevent conditions of unemployment, promote economic growth, and authorize the creation and implementation of development and financing plans in the Village. The LDFA's governing body, which consists of seven members, is selected by the Village Council. In addition, the LDFA's budget is subject to approval by the Village Council. The complete financial statements of the LDFA are included within the Village's general purpose financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-Wide Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Taxes Receivable**

The Village's tax is levied on each July 1<sup>st</sup> on the taxable valuation of property (as defined by state statutes) located in the Village as of the preceding July 31<sup>st</sup>. Uncollected taxes are purchased by the County within 120 days following the close of the fiscal year of the tax levy. Uncollectible accounts are charged back to the Village by the County.

The 2004 taxable valuation of The Village totaled \$11,514,387, on which ad valorem taxes levied consisted of 11.29 mills for operating purposes, 3.01 mills for major street services, and 1.51 mills for local street services. These amounts are recognized in the respective General and Special Revenue financial statements as taxes receivable or as tax revenue.

***Fund Based Statements***

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

Additionally, the Village reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewage collection system.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer functions and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing water and sewer services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

*Deposits and Investments*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Receivables and Payables*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances"

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Taxes are levied on July 1st and are collected through February 28 by various local units for the District. The local units then remit to the District any delinquent real property taxes by June 30.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Inventories and Prepaid Costs*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

*Capital Assets*

Capital assets, which include property, buildings, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Building, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	20-50 years
Building improvements	15-30 years
Water and sewer lines	40-50 years
Roads	10-30 years
Other infrastructure	5-20 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-5 years

*Compensated Absences*

The liability for compensated absences reported in the government-wide statements consist of unpaid accumulated sick days and annual vacation balances. Vacation benefits accumulate on a calendar year basis. Unused vacation at December 31 cannot be carried forward to the next calendar year. Employees may accumulate a maximum of 60 days of sick leave. Unused vacation and sick leave benefits are paid upon termination of employment.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Long-Term Obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Contributed capital is recorded in proprietary funds for capital grants or contributions from customers or other funds.

Comparative Data/Reclassifications

Comparative data is not included in the district's financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Village's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE B - Stewardship, Compliance, and Accountability**

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

**NOTE B - Stewardship, Compliance, and Accountability (Continued)**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the December Village Council meeting, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1<sup>st</sup>, the budget is legally adopted by the Village Council.
4. The Village President is authorized to transfer up to \$1,000 of budgeted amounts between activities within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Major Street Fund, Local Street Fund, and Water and Sewer Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Village's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of the Village for these budgeted funds were adopted on the line item level.

The Village has one significant budget variance in the general fund for capital outlay in the amount of \$50,605.

**NOTE C - Cash and Investments**

At February 28, 2005, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Govern- Mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 427,151	\$ 488,878	\$ 916,029	\$ 10,086
Investments	---	215,318	215,318	---
<b>TOTAL</b>	<u>\$ 427,151</u>	<u>\$ 704,196</u>	<u>\$ 1,131,347</u>	<u>\$ 10,086</u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE C – Cash and Investments (Continued)**

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank deposits (checking, savings and money market accounts)	\$ 916,029	\$ 10,086
Investments (certificates of deposit)	215,318	---
TOTAL	<u>\$ 1,131,347</u>	<u>\$ 10,086</u>

Michigan Compiled Law authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated one bank for deposit of the Village's funds. The investment policy adopted by the Village Council has authorized investments in bonds and securities of the United States government, bank accounts, and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

Cash deposits and investments are classified according to credit risk to give an indication of the level of risk assumed by the Village at February 28, 2005. The categories are described as follows:

Category 1: Insured or registered, or securities held by the Village or by its agent in the Village's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

**NOTE C – Cash and Investments (Continued)**

At February 28, 2005 the Village's bank balance in cash deposits including checking, savings, money market accounts, and investments in certificates of deposit was \$1,175,842, of which \$960,524 is reported as cash and cash equivalents, and \$215,318 is reported as investments which are certificates of deposits which mature in greater than three months. Of the bank balance \$100,000 is covered by federal depository insurance and \$1,075,842 was uninsured and uncollateralized. The component units' deposits had a bank balance of \$10,086 of which all was covered under federal depository insurance.

**NOTE D – Capital Assets**

Capital asset activity of the Village's governmental activities was as follows:

	March 1, 2004	Additions	Disposals	February 28, 2005
Capital assets not being depreciated:				
Land	\$ 28,144	\$ 5,100	\$ ---	\$ 33,244
Capital assets being depreciated:				
Parking lots	60,208	---	---	60,208
Paved recreational areas	5,882	---	---	5,882
Outside construction	73,233	---	---	73,233
Buildings and improvements	154,744	49,305	---	204,049
Equipment	142,917	---	---	142,917
Vehicles	105,777	---	---	105,777
Infrastructure	---	91,287	---	91,287
	<u>542,761</u>	<u>140,592</u>	<u>---</u>	<u>683,353</u>
Less accumulated depreciation	<u>(354,146)</u>	<u>(27,807)</u>	<u>---</u>	<u>(381,953)</u>
Net capital assets being depreciated	<u>188,615</u>	<u>112,785</u>	<u>---</u>	<u>301,400</u>
Governmental activities capital total – net of accumulated depreciation	<u>\$ 216,759</u>	<u>\$ 117,885</u>	<u>\$ ---</u>	<u>\$ 334,644</u>

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

**NOTE D – Capital Assets (Continued)**

Capital asset activity of the Village's proprietary fund type activities was as follows:

	March 1, 2004	Additions	Disposals	February 28, 2005
Capital assets being depreciated:				
Water supply system	\$ 1,748,974	---	---	\$ 1,748,974
Water mains	631,321	10,075	---	641,396
Water equipment	72,051	---	---	72,051
Sewer lagoon	1,499,858	---	---	1,499,858
Sewer lines	685,313	---	---	685,313
Sewer equipment	65,164	---	---	65,164
	4,702,681	10,075	---	4,712,756
Less accumulated depreciation	(1,547,701)	(137,076)	---	(1,684,777)
Net capital assets being depreciated	<u>\$ 3,154,980</u>	<u>(127,001)</u>	<u>---</u>	<u>\$ 3,027,979</u>

Capital asset activity of the Village's component units was as follows:

	March 1, 2004	Additions	Disposals	February 28, 2005
Capital assets not being depreciated:				
Land	<u>\$ 125,000</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 125,000</u>

**NOTE E – Interfund Receivables and Payables**

The composition of interfund balances as of February 28, 2005, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 63,527
	Major Street Fund	585
	Local Street Fund	2,383
Water Fund	General Fund	6,726
Sewer Fund	Water Fund	203,191
		<u>\$ 276,412</u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

**NOTE E – Interfund Receivables and Payables (Continued)**

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Finance Development Authority	General Fund	\$ 19,197
General Fund	Downtown Development Authority	2,224
		<u>\$ 21,421</u>

**NOTE F – Long-Term Debt**

The individual fund long-term debt and other long-term obligations of the Village and the changes therein, are summarized as follows:

	<u>Balance at March 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at February 28, 2005</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Installment loan with credit corporation in the amount of \$15,279. Principal and interest payments are due in monthly installments of \$310, including interest at 7.99% per annum.	\$ 2,111	\$ ---	\$ (2,111)	\$ ---
Compensated absences – sick leave	7,747	---	(2,861)	4,886
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 9,858</u>	<u>\$ ---</u>	<u>\$ (4,972)</u>	<u>\$ 4,886</u>
<b>PROPRIETARY FUNDS</b>				
1981 general obligation bonds in the amount of \$520,000. Principal payments are due annually on January 1, with interest at 5% payable semi-annually.	\$ 295,000	\$ ---	\$ (15,000)	\$ 280,000
2002 revenue bonds in the amount of \$1,000,000. Principal payments are due annually on January 1, with interest at 4.75% payable semi-annually.	978,000	12,000	(8,000)	982,000
<b>TOTAL PROPRIETARY FUNDS</b>	<u>\$ 1,273,000</u>	<u>\$ 12,000</u>	<u>\$ (23,000)</u>	<u>\$ 1,262,000</u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

**NOTE F – Long-Term Debt (Continued)**

Annual debt service requirements to maturity for debt obligations are as follows:

Payments due for years ending February 28:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ ---	\$ ---	\$ 23,000	\$ 60,645
2007	---	---	25,000	59,515
2008	---	---	27,000	58,290
2009	---	---	27,000	56,970
2010	---	---	34,000	55,650
2011	---	---	35,000	53,985
2012	---	---	35,000	52,273
2013	---	---	36,000	50,560
2014	---	---	36,000	48,800
2015	---	---	36,000	47,040
2016	---	---	38,000	45,280
2017	---	---	38,000	43,425
2018	---	---	38,000	41,570
2019	---	---	40,000	39,715
2020	---	---	40,000	37,765
2021	---	---	22,000	35,815
2022	---	---	22,000	34,770
2023	---	---	24,000	33,725
2024	---	---	24,000	32,585
2025	---	---	26,000	31,445
2026	---	---	26,000	30,210
2027	---	---	28,000	28,975
2028	---	---	30,000	27,645
2029	---	---	32,000	26,220
2030	---	---	32,000	24,700
2031	---	---	36,000	23,180
2032	---	---	36,000	21,470
2033	---	---	38,000	19,760
2034	---	---	38,000	17,955
2035	---	---	40,000	16,150
2036	---	---	40,000	14,250
2037	---	---	42,000	12,350
2038	---	---	42,000	10,355
2039	---	---	44,000	8,360
2040	---	---	44,000	6,270
2041	---	---	44,000	4,180
2042	---	---	44,000	2,090
<b>TOTAL PROPERTY FUNDS</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 1,262,000</b>	<b>\$ 1,213,943</b>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE F – Long-Term Debt (Continued)**

1981 General Obligation Bonds

On March 11, 1981, the village entered into a contract with the Van Buren County Board of Public Works to finance, construct, and operate an improved sanitary sewage disposal system. The system is known as Van Buren County Sanitary Sewage Disposal System #6 (Village of Lawrence). The Village's share of the project of \$520,000 was financed by the sale of bonds through the County Agency. Federal and state grants were obtained to finance the remaining cost.

The Village will lease the system until such time as the bonds are paid in full. At that time, the Village will become the owner of the system. The cost of rental will include the operation, maintenance, and management of the system, and the payment of the debt service requirement. The Village has assumed responsibility for payment of the bonds, as reflected on the balance sheet of the Sewer Fund.

These bonds are general obligations of the Village and require the use of tax moneys to meet principle and interest payments if necessary.

2002 General Obligation Bonds

On July 16, 2002 the Village issued a water and sanitary sewage collection use disposal revenue bond not to exceed \$1,000,000, for the purpose of paying part of the cost of acquiring and constructing water supply improvements to serve the Village. The bond is payable in annual installments due January 1<sup>st</sup> and repayment is not expected to exceed forty years. The bonds bear interest at 4.75% per annum calculated on the daily outstanding balance. Interest is payable semiannually and is paid on January 1 and July 1.

Accrued Vacation and Sick Leave Payable

The Village has accrued liabilities for accumulated vested sick leave benefits. See Note A for a description of the Village's accounting policies related to these items.

**NOTE G – Employee Retirement and Benefit System**

Plan Description

The Village participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full time employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at: 447 N. Canal Road, Lansing, Michigan 48917.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE G – Employee Retirement and Benefit System (Continued)**

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Village's personnel policy, which does not require employees to contribute to the plan. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is zero percent of covered payroll.

Annual Pension Costs

For the year ended February 28, 2005, the Village's annual pension cost of zero for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal funding cost method. Significant actuarial assumptions used included an 8% investment rate of return, projected salary increases of 4.5% for base inflation, plus 0.0% to 4.16% for merit and longevity.

Three Year Trend Information

Three year trend information as of December 31, 2003 follows:

	2001	2002	2003
Annual pension cost	0	0	0
Percentage of APC contributed	100	100	100
Net pension obligation	0	0	0
Actuarial value of assets	128,684	126,556	129,965
Actuarial accrued liability	86,861	86,685	87,969
Unfunded (overfunded) AAL	(41,823)	(39,871)	(41,996)
Funded ratio	148	146	148
Covered payroll	20,973	21,080	21,174
UAAL as a percentage of covered payroll	0	0	0

**NOTE H – Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for death and disability, hospitalization and life claims, and is a member of the Michigan Municipal League Liability and Property Pool for claims relating in liability, fire, fleet and bonds. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Village participates in the Michigan Municipal Worker's Compensation Fund risk pools for the purpose of its workers compensation coverage.



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2005**

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**NOTE H – Risk Management (Continued)**

The Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE I – Accounting and Reporting Change**

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Village has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including notes to financial statements). The Village has elected not to retroactively report their infrastructure in the current year. Certain significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).



## **REQUIRED SUPPLEMENTARY INFORMATION**



**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE – GENERAL FUND**  
**For the Year Ended February 28, 2005**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Fav (Unfav)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property taxes	\$ 117,815	\$ 123,415	\$ 123,655	\$ 240
Licenses and permits	800	792	748	(44)
Intergovernmental revenues				
State shared revenues	124,850	125,672	125,672	---
Liquor license fees	1,380	1,070	1,073	3
	<u>244,845</u>	<u>126,742</u>	<u>126,745</u>	<u>3</u>
Charges for services				
Cable franchise fees	2,400	3,200	6,440	3,240
Ordinance fines	1,200	90	100	10
Charges for services rendered	---	4,165	4,369	204
Restitution received	---	185	187	2
	<u>3,600</u>	<u>7,640</u>	<u>11,096</u>	<u>3,456</u>
Interest	800	965	1,589	624
Miscellaneous				
Equipment rental	74,000	74,000	60,481	(13,519)
Refunds and rebates	1,500	5,700	2,856	(2,844)
Miscellaneous	2,500	7,200	6,860	(340)
	<u>78,000</u>	<u>86,900</u>	<u>70,197</u>	<u>(16,703)</u>
<b>TOTAL REVENUES</b>	<u>\$ 327,245</u>	<u>\$ 346,454</u>	<u>\$ 334,030</u>	<u>\$ (12,424)</u>
<b>EXPENDITURES</b>				
General government				
Village council				
Salaries	\$ 4,680	\$ 4,680	\$ 4,680	\$ ---
Payroll taxes	360	360	358	2
Memberships and dues	1,000	1,020	1,019	1
Mileage	200	200	---	200
Conferences	400	400	---	400
Insurance	500	500	---	500
Miscellaneous	1,200	1,200	200	1,000
	<u>8,340</u>	<u>8,360</u>	<u>6,257</u>	<u>2,103</u>
President				
Salaries	1,560	1,560	1,560	---
Payroll taxes	120	120	119	1
Miscellaneous	200	200	---	200
	<u>1,880</u>	<u>1,880</u>	<u>1,679</u>	<u>201</u>
Other executive activities				
Contracted services	500	500	300	200
Accounting	1,000	1,000	225	775
Auditing	5,300	10,900	2,725	8,175
Budgeting	260	260	225	35
Legal	4,000	4,000	3,083	917
Grant fees	500	---	---	---
County computer	---	500	---	500
Conferences	---	30	30	---
Insurance	17,000	17,000	16,168	832
	<u>28,560</u>	<u>34,190</u>	<u>22,756</u>	<u>11,434</u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)**  
**For the Year Ended February 28, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Fav (Unfav)
	Original	Final		
<b>Elections</b>				
Contracted services	\$ 300	\$ 300	\$ 300	\$ ---
Printing and publishing	600	600	---	600
Miscellaneous	100	100	68	32
	<u>1,000</u>	<u>1,000</u>	<u>368</u>	<u>632</u>
<b>Clerk</b>				
Salary	2,400	2,400	2,400	---
Office salary	5,050	18,600	4,316	14,284
Deputy clerk salary	100	100	---	100
Payroll taxes	580	580	651	(71)
Dental insurance	700	700	694	6
Health insurance	11,550	11,550	9,650	1,900
Life insurance	500	500	494	6
M.E.R.S.	---	835	835	---
Vacation pay	1,630	1,350	1,344	6
Sick pay	750	750	---	750
Holiday pay	500	500	448	52
Postage and office supplies	2,000	1,000	828	172
Membership and dues	30	30	30	---
Mileage	100	100	---	100
Training and seminars	200	200	---	200
Printing and publishing	1,600	500	457	43
Worker's comp insurance	100	100	---	100
Office equipment maintenance	1,000	1,000	598	402
Miscellaneous	400	400	329	71
	<u>29,190</u>	<u>41,195</u>	<u>23,074</u>	<u>18,121</u>
<b>Treasurer</b>				
Salary	1,200	1,200	1,200	---
Payroll taxes	100	100	91	9
Postage and office supplies	200	200	88	112
Insurance and bonds	150	150	---	150
Misc. expenses	---	450	430	20
	<u>1,650</u>	<u>2,100</u>	<u>1,809</u>	<u>291</u>
<b>Village hall and grounds</b>				
Hall-supplies	---	---	43	(43)
Contracted services	2,000	2,000	679	1,321
Utilities-telephone	1,650	1,650	1,490	160
Utilities-heat	7,600	6,600	5,836	764
Utilities-water and sewer	865	865	560	305
Repairs and maintenance	1,300	1,300	741	559
Equipment maintenance	1,000	100	20	80
Equipment rental	100	200	165	35
Miscellaneous	100	100	59	41
	<u>14,615</u>	<u>12,815</u>	<u>9,593</u>	<u>3,222</u>
<b>Total general government</b>	<b>85,235</b>	<b>101,540</b>	<b>65,536</b>	<b>36,004</b>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)**  
**For the Year Ended February 28, 2005**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Fav (Unfav)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public safety				
Police				
Contracted services	\$ 126,000	\$ 133,800	\$ 134,469	\$ (669)
Legal services	---	270	270	---
Telephone	---	1,525	1,550	(25)
	<u>126,000</u>	<u>135,595</u>	<u>136,289</u>	<u>(694)</u>
Fire protection				
Fire hydrant rent	5,100	6,760	6,760	---
Inspection department				
Postage/office supplies	50	50	12	38
Contracted services	2,200	2,200	---	2,200
Miscellaneous	200	200	117	83
	<u>2,450</u>	<u>2,450</u>	<u>129</u>	<u>2,321</u>
Planning commission				
Salaries	1,800	1,800	1,200	600
Payroll taxes	140	140	92	48
Contracted services	2,500	2,500	---	2,500
Workshops and conferences	500	500	370	130
Printing and publishing	300	250	---	250
Miscellaneous expenses	50	100	89	11
	<u>5,290</u>	<u>5,290</u>	<u>1,751</u>	<u>3,539</u>
Crossing guard				
Salaries	1,600	1,600	1,613	(13)
Payroll taxes	125	125	123	2
Worker's comp insurance	40	40	---	40
Miscellaneous	---	30	29	1
	<u>1,765</u>	<u>1,795</u>	<u>1,765</u>	<u>30</u>
Total public safety	140,605	151,890	146,694	5,196
Public works				
Department of public works				
Postage and office supplies	100	125	113	12
Operating supplies	1,700	2,600	2,811	(211)
Uniforms	450	700	686	14
Contracted services	29,300	---	---	---
Reallocation equip repairs	---	13,500	13,243	257
Reallocation garage lab	500	13,000	13,078	(78)
Reallocation shop time	500	14,500	13,454	1,046
Utilities and telephone	800	1,300	1,315	(15)
Mileage	100	100	---	100
Gas and oil	4,000	4,700	4,614	86
Printing and publishing	50	50	---	50
Street lights	13,000	13,000	12,842	158
Repairs and maintenance	4,500	6,000	6,455	(455)
Miscellaneous	300	300	127	173
Building improvements	---	2,500	---	2,500
	<u>55,300</u>	<u>72,375</u>	<u>68,738</u>	<u>3,637</u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)**  
**For the Year Ended February 28, 2005**

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Fav (Unfav)</u>
Sidewalks				
Contracted services	\$ 1,500	\$ 1,500	\$ 1,173	\$ 327
Engineering	---	300	---	300
Repairs and maintenance	---	---	288	(288)
Equipment rental	750	900	690	210
Miscellaneous	100	100	---	100
	<u>2,350</u>	<u>2,800</u>	<u>2,151</u>	<u>649</u>
Sanitation				
Contracted services	6,000	6,000	5,538	462
Equipment rental	1,200	2,000	1,975	25
Miscellaneous	100	100	---	100
	<u>7,300</u>	<u>8,100</u>	<u>7,513</u>	<u>587</u>
Village park				
Operating supplies	300	325	313	12
Contracted services	15,000	15,000	14,680	320
Tree trimming	500	3,850	3,850	---
Christmas décor	300	300	227	73
Repairs and maintenance	600	1,150	1,127	23
Equipment rental	6,000	6,400	6,177	223
Miscellaneous	200	100	38	62
	<u>22,900</u>	<u>27,125</u>	<u>26,412</u>	<u>713</u>
Library				
Contracted services	---	125	---	125
Total public works	87,850	110,525	104,814	5,711
Debt service	3,720	3,720	2,171	1,549
Capital outlay	1,000	3,800	54,405	(50,605)
TOTAL EXPENDITURES	318,410	371,475	373,620	(2,145)
OTHER FINANCING USES				
Operating transfer to major street	20,000	---	---	---
Operating transfer to local street	8,000	---	---	---
TOTAL OTHER FINANCING USES	28,000	---	---	---
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>346,410</u>	<u>371,475</u>	<u>373,620</u>	<u>(2,145)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(19,165)	(25,021)	(39,590)	(14,569)
Fund balance, beginning of year	375,080	375,080	375,080	---
FUND BALANCE, END OF YEAR	<u>\$ 355,915</u>	<u>\$ 350,059</u>	<u>\$ 335,490</u>	<u>\$ (14,569)</u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE – MAJOR STREET FUND**  
**For the Year Ended February 28, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Fav (Unfav)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 29,570	\$ 30,770	\$ 36,412	\$ 5,642
Intergovernmental revenues	72,375	77,375	78,290	915
Interest	500	1,000	1,318	318
Miscellaneous	1,100	---	---	---
<b>TOTAL REVENUES</b>	<b>103,545</b>	<b>109,145</b>	<b>116,020</b>	<b>6,875</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	20,000	---	---	---
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>123,545</b>	<b>109,145</b>	<b>116,020</b>	<b>6,875</b>
<b>EXPENDITURES</b>				
Bridges	550	550	---	550
Street construction	105,600	99,600	91,287	8,313
Routine maintenance	58,200	63,150	49,472	13,678
Tree trimming	500	500	375	125
Traffic services	800	800	753	47
Winter maintenance	23,250	23,450	12,825	10,625
Administration	5,061	5,061	4,058	1,003
<b>TOTAL EXPENDITURES</b>	<b>193,961</b>	<b>193,111</b>	<b>158,770</b>	<b>34,341</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(70,416)</b>	<b>(83,966)</b>	<b>(42,750)</b>	<b>41,216</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>107,284</b>	<b>107,284</b>	<b>107,284</b>	<b>---</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 36,868</b>	<b>\$ 23,318</b>	<b>\$ 64,534</b>	<b>\$ 41,216</b>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE – LOCAL STREET FUND**  
**For the Year Ended February 28, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Fav (Unfav)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 14,100	\$ 15,100	\$ 18,217	\$ 3,117
Intergovernmental revenues	18,500	20,000	20,665	665
Interest	100	100	331	231
<b>TOTAL REVENUES</b>	<b>32,700</b>	<b>35,200</b>	<b>39,213</b>	<b>4,013</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	8,000	---	---	---
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>40,700</b>	<b>35,200</b>	<b>39,213</b>	<b>4,013</b>
<b>EXPENDITURES</b>				
Routine maintenance	26,600	27,700	19,814	7,886
Tree trimming	50	---	1,288	(1,288)
Traffic services	---	50	---	50
Winter maintenance	15,450	15,450	2,507	12,943
Administration	2,352	2,352	2,557	(205)
<b>TOTAL EXPENDITURES</b>	<b>44,452</b>	<b>45,552</b>	<b>26,166</b>	<b>19,386</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,752)</b>	<b>(10,352)</b>	<b>13,047</b>	<b>23,399</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>28,917</b>	<b>28,917</b>	<b>28,917</b>	<b>---</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 25,165</b>	<b>\$ 18,565</b>	<b>\$ 41,964</b>	<b>\$ 23,399</b>



# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2005

To the Village Council  
Village of Lawrence, Michigan

In planning and performing our audit of the financial statements of Village of Lawrence, Michigan (the Village) as of and for the year ended February 28, 2005, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that either will have a significant impact on the accounting function of the Village or that are opportunities for strengthening internal controls and operating efficiency. Such matters are described in the following paragraphs.

## Backup Procedures

During the course of our fieldwork we noted that the Village does not back up financial information timely onto a media that is separate from the Village's computer hard drive. This leaves the Village at risk of losing computerized financial information in the event of a computer failure or disaster.

We recommend that the Village backup financial information daily onto a form of media that is separate from the hard drive of the Village computer. Additionally, we recommend that the backup be kept offsite or locked in a fireproof safe in the event that there is a disaster.

## Required Bank Accounts

Under the bonding requirements for the 2002 bond issue reported in the water fund, the Village is required to maintain a bond and interest redemption fund and a repair, replacement and improvement fund. At February 28, 2005 the Village was not maintaining these two required bank accounts.

We recommend that the Village open these bank accounts at their financial institution and make the required transfers from the operating account of the water fund to appropriately fund and maintain the accounts to comply with the 2002 bond issue requirements.

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We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various administrative personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

SEBER TANS, PLC

Seber Tans, PLC



# SEBER TANS, PLC

## CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2005

To the Village Council  
Village of Lawrence, Michigan

We have audited the financial statements of Village of Lawrence, Michigan (the Village) as of and for the year ended February 28, 2005, and have issued our report thereon dated April 27, 2005. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under Auditing Standards Generally Accepted in the United States

As stated in our engagement letter dated March 25, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note A to the financial statements. As disclosed in Note I to the financial statements, GASB Statement No. 34 was adopted by the Village during the year ended February 28, 2005, drastically changing the Village's financial statements from those issued in prior years. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the historic value of fixed assets and the related accumulated depreciation required by GASB Statement No. 34, as well as depreciation expense recorded for the year under audit.

Management's estimate of the value of fixed assets and related accumulated depreciation was based on the information contained in the general fixed asset account group. We evaluated the key factors and assumptions used to develop the values for fixed assets and the related accumulated depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.



### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the Village's financial reporting process:

- In the general fund we proposed an audit adjustment to decrease revenue and accounts receivable by \$60,000, related to the sale of a building. This adjustment was recorded by management.
- We proposed numerous other adjustments in all funds related to balancing interfund receivables and payables, and the allocation of shared expenses. All proposed audit adjustments were recorded by management.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principals and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

### Difficulties Encountered in Performing the Audit

The completion of our audit was delayed for the following reason:

- Significant time was incurred related to assisting the Village in adopting the accounting standards required by GASB Statement No. 34, as well as the related financial reporting issues.

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This information is intended solely for the use of management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

*SEBER TANS, PLC*  
Seber Tans, PLC